

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-07 AID-05 CIAE-00 COME-00 FRB-03  
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03  
SP-02 LAB-04 EPG-02 SIL-01 OMB-01 NSC-05 SS-15  
STR-04 CEA-01 AGRE-00 DODE-00 PA-01 PRS-01 /083 W  
-----011224Z 021083 /46

R 011109Z JUN 77  
FM AMEMBASSY WARSAW  
TO SECSTATE WASHDC 8453  
INFO AMEMBASSY BERLIN  
AMEMBASSY MOSCOW  
AMCONSUL MUNICH  
USMISSION NATO  
AMEMBASSY BELGRADE  
AMEMBASSY BUCHAREST  
AMEMBASSY BUDAPEST  
AMEMBASSY PRAGUE  
AMEMBASSY SOFIA

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E.O. 11652: N/A  
TAGS: EGEN PL  
SUBJ: JAROSZEWCZ ON THE ECONOMY: LITTLE TO CHEER ABOUT

1. SUMMARY: IN A MAJOR SPEECH DELIVERED AT A SEJM SESSION CALLED TO REVIEW THE ECONOMIC RESULTS OF THE FIRST FIVE MONTHS OF 1977, PREMIER PIOTR JAROSZEWCZ FOUND LITTLE TO PRAISE IN THE CURRENT STATE OF POLAND'S ECONOMY. IN A CANDID STATEMENT, JAROSZEWCZ RECOUNTED SERIOUS SHORTCOMINGS IN INDUSTRY, AGRICULTURE, AND FOREIGN TRADE, WHILE SERVING NOTICE THAT THE BULK OF POLAND'S BELT-TIGHTENING IS YET TO COME. END SUMMARY.

2. IN A MAJOR ADDRESS ON MAY 30 AT A SPECIAL SEJM SESSION DEVOTED TO THE ECONOMY, PREMIER PIOTR JAROSZEWCZ FOUND MORE TO

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CRITICIZE THAN TO PRAISE IN REVIEWING THE RESULTS OF THE FIRST FIVE MONTHS OF 1977. SPEAKING AS FRANKLY AS HE DID IN HIS TOUGH ECONOMIC SPEECH IN SEPTEMBER, 1976, JAROSZEWCZ SERVED NOTICE THAT MUCH REMAINS TO BE DONE BEFORE THE POLISH ECONOMY WILL BE BACK ON THE TRACK.

3. THE PREMIER NOTED THAT MOST INDUSTRIAL INDICES HAD BEEN SUR-

PASSED IN THE FIRST FIVE MONTHS. INDUSTRIAL PRODUCTION IN JANUARY-MAY IS UP BY ALMOST 9 PERCENT OVER THE SAME PERIOD IN 1976, WHICH IS CONSIDERABLY HIGHER THAN THE PLANNED INDUSTRIAL GROWTH RATE OF 7.3 PERCENT. JAROSZEWCZ ALSO SAID INDUSTRY HAD EXCEEDED THE PLAN IN THE PRODUCTION OF GOODS MOST IN DEMAND ON THE DOMESTIC MARKET. AT THE SAME TIME, HE OBSERVED, A LACK OF COMPLETE UNDERSTANDING OF THE COUNTRY'S PRIORITIES IN THE CURRENT ECONOMIC SITUATION STILL EXISTS, WHICH IS DEMONSTRATED BY UNJUSTIFIED INCREASES IN EMPLOYMENT, WAGES, INVESTMENT, AND IMPORTS IN SOME INDUSTRIAL UNITS. DISCIPLINE MUST BE TIGHTENED, HE SAID, TO ENSURE THAT ADDITIONAL PRODUCTION TAKES PLACE ONLY IN THOSE SECTORS OF THE ECONOMY WHICH HAVE AN "ASSURED DEMAND" FOR THEIR PRODUCTS IN EITHER DOMESTIC OR FOREIGN MARKETS.

4. JAROSZEWCZ NOTED THAT SIGNIFICANT PROGRESS IN SLOWING THE RAPID GROWTH IN WAGES IS YET TO BE MADE. IN THE FIRST FOUR MONTHS OF 1977, NOMINAL INCOME HAS BEEN INCREASING AT A 13 PER CENT ANNUAL RATE, WHILE THE PLAN CALLS FOR ONLY A TEN PERCENT INCREASE. PART OF THE UNPLANNED INCREASE IN INCOMES RESULTED FROM BONUSES PAID TO GENERATE ADDITIONAL PRODUCTION OF BADLY NEEDED COMMODITIES. BUT IT IS "...A FACT THAT NOT A SMALL AMOUNT ..." OF THE RISE HAS NOT BEEN COVERED BY INCREASED EFFICIENCY AND MARKET PRODUCTION. HE WARNED THAT FUTURE WAGE HIKES MUST BE MORE CLOSELY TIED TO HIGHER WORK OUTPUT AND PRODUCT QUALITY. SPEAKING TO THE POLITICALLY SENSITIVE ISSUE OF PRICES, JAROSZEWCZ OBSERVED THAT THE GROWTH IN INCOMES, COUPLED WITH THE PROLONGED FREEZE ON BASIC FOOD ITEMS, WOULD FORCE THE GOP TO RAISE PRICES ON OTHER GOODS.

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5. TURNING TO FOOD AND AGRICULTURE, JAROSZEWCZ PLEDGED THAT THE LEADERSHIP WOULD CONTINUE TO UNDERTAKE NECESSARY FOOD AND FODDER IMPORTS TO KEEP THE SITUATION FROM GETTING WORSE. HE NOTED THAT ALMOST 15 PERCENT MORE FOODSTUFFS WERE PLACED ON THE MARKET IN THE FIRST FOUR MONTHS OF 1977 THAN THE SAME PERIOD OF 1976. JAROSZEWCZ CLAIMED THE FALL IN LIVESTOCK NUMBERS HAS FINALLY BEEN ARRESTED. HOG NUMBERS AT THE BEGINNING OF APRIL ARE, HE ADMITTED, 14 PERCENT BELOW THE APRIL, 1976 LEVEL, BUT HAVE CLIMBED BY 10 PERCENT OVER THE 1976-77 LOW. THE PRODUCTION OF BEEF CATTLE IS ALSO SHOWING SIGNS OF RECOVERING, HE SAID, WITH A 3 PERCENT GROWTH OVER LAST YEAR'S TROUGH. JAROSZEWCZ SAID IT IS STILL TOO EARLY TO SPEAK ABOUT A COMPLETE RECOVERY OF LIVESTOCK PRODUCTION, BUT HE HOPED THAT SOME IMPROVEMENT IN MEAT SUPPLIES WOULD BE VISIBLE BY YEAR'S END.

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COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03  
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6. THE PERMIER NOTED SERIOUS SHORTFALLS IN THE PURCHASE OF MEAT BY THE STATE FROM INDIVIDUAL PRODUCERS. HE SAID SALES OF MILK, EGGS, AND POULTRY TO THE GOVERNMENT HAD INCREASED, BUT MEAT PURCHASES WERE MORE THAN 90 TONS BELOW 1976 LEVELS THROUGH THE FIRST FOUR MONTHS OF 1977. JAROSZEWCZ CLAIMED THE GOP'S POLICY OF IMPORTING MEAT HAD KEPT THE SITUATION FROM GETTING OUT OF HAND, NOTING THAT ONLY 2.4 PERCENT LESS MEAT WAS SOLD IN JANUARY-APRIL THAN IN THE SAME PERIOD OF 1976. THE PERMIER PROMISED THAT PRIVATE FARMS WHICH COOPERATE WITH THE STATE WOULD HAVE FIRST PRIORITY IN THE DISTRIBUTION OF PRIMARY AGRICULTURAL INPUTS SUCH AS FERTILIZERS AND COAL.

7. JAROSZEWCZ DESCRIBED THIS YEAR'S FOREIGN TRADE RESULTS AS "UNSATISFACTORY". CITING POOR ECONOMIC CONDITIONS IN THE WEST

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AND WORSENING TERMS OF TRADE, HE NOTED THAT HARD-CURRENCY EXPORTS IN THE FIRST FOUR MONTHS OF 1977 WERE CONSIDERABLY BELOW EXPECTATIONS, WHILE IMPORTS CONTINUE AT HIGH LEVELS. (COMMENT: THE POOR TRADE SHOWING MAY BE THE REASON FOR THE CONTINUED DELAY

IN RELEASING THE APRIL EDITION OF THE MONTHLY GOP STATISTICAL BULLETIN. WHILE DELAYS IN THE PUBLICATION OF THE BULLETIN ARE NOT INFREQUENT, THE CURRENT LAG IS UNUSUALLY LONG. NORMALLY IT WOULD HAVE BEEN DISTRIBUTED ABOUT THE 15TH OF MAY. END COMMENT) JAROSZEWICZ HINTED THAT FURTHER STEPS MIGHT BE TAKEN TO ENCOURAGE EXPORTS THROUGH NEW INCENTIVES AND ADDED THAT MEASURES TO CURB IMPORTS WOULD NOW BE MORE VIGOROUSLY APPLIED. HE WARNED WESTERN COUNTRIES THAT, UNLESS BARRIERS TO POLISH PRODUCTS WERE LOWERED, THEIR OWN EXPORTS TO POLAND WOULD CERTAINLY NOT INCREASE AND MIGHT EVEN BE CUT IN RETALIATION.

8. COMMENT: JAROSZEWICZ'S SPEECH IS AS STRAIGHTFORWARD AN ACCOUNT OF THE ECONOMIC SITUATION AS IS LIKELY TO APPEAR IN THIS PART OF THE WORLD. THE SPEECH MAY FORESHADOW MORE INTENSIFIED TINKERING WITH POLAND'S ECONOMIC MACHINERY, COUPLED WITH NEW ADMINISTRATIVE MEASURES TO CHECK IMPORT GROWTH AND SLOW THE RISE IN WAGES. IN THE MEANTIME, THE REGIME MUST RELY ON WHAT IT HOPES WILL BE A GOOD AGRICULTURAL YEAR AND THE CONTINUED EXCESS LIQUIDITY OF WESTERN BANKERS TO PROVIDE IT WITH THE BREATHING SPACE NECESSARY TO BRING THE ECONOMY BACK INTO BALANCE. END COMMENT.

DAVIES

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## Message Attributes

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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009